

MODULE

2

SocEnt Intro Part 2

"Startup success is not a consequence of good genes or being in the right place at the right time. Startup success can be engineered by following the right process, which means it can be engineered by following the right process, which means it can be learned, which means it can be taught."

- Eric Ries, *Lean Startup*

Introduction

This module aims to go further into the lean startup than students have done in previous modules. It introduces three key features from the lean startup: the minimum viable product, the Build-Measure-Learn loop, and pivots. These three techniques are integral in the lean startup methodology, which focuses on minimizing risk, failing fast, and using the minimum amount of resources, time and funding.

Objectives

1. Students will be able to use the concept of BML (build-measure-learn) to improve their product/service.
2. Students will be able to identify and utilize the importance of failing fast.
3. Students will be able to explain what MVPs (minimum viable product) are and their importance.
4. Students will be able to understand the BML loop, its effectiveness, and know how to utilize it in their own SEVs (social entrepreneurial ventures).
5. Students will be able to understand what pivots are, when they should use them, and utilize them within their own SEV if necessary.

Agenda

1. The Lean Startup
 - a. Lecture (30-45 minutes)
 - b. Simulation (30 minutes)

Target Audience and Pain Point

Lecture Notes (15 minutes)

1. Target Audience
 - a. A target audience is the demographic of people most likely to be interested in your product or service.¹
2. Case Studies
 - a. Webvan
 - i. [Source](#)
 - ii. Webvan tried to provide a nation-wide service in which regular people could order groceries and have them delivered to their home within thirty minutes. Webvan's target audience was too broad. Because they were providing a luxury, they should have targeted people who were price-insensitive and willing to pay more for this luxury. However, they marketed to everyone through their mass-marketing strategies. Because of this, their prices were lower than they should have been, causing them to not make as much profit as they could have.
 - b. PlayPump
 - i. [Source](#)
 - ii. PlayPump was a product that looked similar to a merry-go-round that can be found in childrens' playgrounds. It pumped water as the children turned the machine, and it was meant to provide drinking water to families in South Africa. Although it seemed like a great idea at the time, it was not much help to its target audience at all. The machine was so hard to spin that even adults could not move it at times. When the machine was spun, it only pumped out dirty water, which was not useful to the target audience. As their target audience was the children of South Africa who needed easy access to drinkable water, this product did not suit their needs.
 - c. Discussion:
 - i. Why is identifying and understanding a target audience important for an SEV?
 - ii. How could have Webvan determined the needs of their target audience earlier?
 - iii. Did PlayPump have a promising idea with bad execution or, rather, did not fully understand their target audience.
3. Pain point Activity (Choose one)
 - a. Punch your co to illustrate "finding the pain point behind the pain point"! (Optional)
 - i. After punching your co, ask your students: how could we solve this problem?
 - ii. They will probably tell your co to ice their arm or take a painkiller.
 - iii. Your co can pretend to do that, but then you should just punch your co again.
 - iv. Show that the pain coming from the punch isn't an underlying problem, but the *reason* you punched your co is the underlying problem. Then ask for

¹ <https://www.thebalancesmb.com/what-is-a-target-audience-2295567>

further steps to prevent further punches (e.g., co-therapy, stop coming late to prep, etc)

- b. Flow Chart Activity
 - i. Pose this problem to the class: IMSA students don't get sleep
 - ii. In groups, have them go to the board and create a flow chart noting things that caused the main problem.
 - iii. For example, it may look like this: IMSA students don't sleep → they have too much homework → teachers are giving too much homework → Teachers don't understand the level of work students have → Teachers don't interact with student's residential life enough

The Lean Startup and BML Cycle

MUST READ THIS! Summary of The Lean Startup by Eric Ries

Lecture Notes (45 minutes)

1. What is the Lean Startup?

a. Fail fast, fail cheap

- i. The concept is, startups try something, and then they gauge whether they are successful or not fast. If they fail, they fail fast and can quickly change their course of action
- b. Minimize risk and losses
 - i. By simply going for it and not investing hours into planning and dollars into design, startups can limit the amount of stuff (time money resources) they put on the line.
- c. Steps
 - i. Create a prototype (MVP), test it, measure the results, and learn from it (BML)
 - ii. Discuss what the lean startup method is and why it is effective in minimizing risk and reducing uncertainty.

2. BML

- a. Build-Measure-Learn cycle
- b. Build: Create an MVP to "fail fast, fail cheap". The MVP is the "Build" of your very first iteration, and you constantly build your product/service through changes as you measure feedback.
- c. Measure: From the MVP, the results should be observed
- d. Learn: The results should then teach the venture something about their product/ service
- e. How this cycle is central to the Lean Startup process because it is through this cycle that an entrepreneur essentially minimizes risk, which is the whole point of the Lean Startup. By creating an MVP through the first iteration of the BML cycle, making changes to the product/service as entrepreneurs learn from feedback, and pivoting, the BML cycle is integral to the Lean Startup.
- f. **NOTE: Please emphasize that this is a widely used methodology in entrepreneurship however in SocEnt we are focusing on Design Thinking in the creation of their SEVs.**

Pivots Explained

Resources:

1. Ries, Eric. *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*. Crown Business, 2014.
 - a. Information regarding the types of pivots and what a pivot is + what it is used for

SocEnt Crash Course (SCC):

A pivot is not simply when a company changes their course in product strategy. A pivot is a *purposeful*, structured experiment that is used to test a business hypothesis. These business hypotheses focus on a core value or component of the venture - whether it be the platform, structure, problem, cost flow, customer base, etc. Examples of pivots are outlined below.

Although some pivots are formed after impact measurement, they can still be formed as a result of a change in knowledge and research regarding that topic, But also without impact measurement to support a pivot, there is no way of knowing whether the company had been better off without the pivot. This is a matter of pivoting or persevering - if a company is experiencing a stall in growth, or is not receiving any users at all, the company should decide whether a pivot is necessary and the reason behind the pivot.

The types of pivots, outlined by Eric Ries in The Lean Startup, are listed below. You can choose several to facilitate depending on what you think your class would be interested in + which case studies you want to use.

How do you know whether or not to pivot?

After researching and/or evaluating your SEV, you may find out that the original pain point you targeted is not a real pain point - you will need to make a **customer need pivot**.

Outside of your SEV, when you have an MVP out and you're able to get results back from the experimental release, the aforementioned impact measurement will help you decide whether or not to pivot. If you do not have a significant consumer base, or if you've found that your company is not making an impact, that is when you should consider pivoting rather than persevering.

Facilitator Homework

Make sure to tell students their groups by the end of this module.

Student Homework

Make sure to have 40 research points by [sometime before the next module] and be working towards gaining 80 before MID which is two weeks away!